

Community resources

[Follow us on Twitter](#) [Check our Reddit](#) [Twitter this](#) [Digg this page](#) [Contact us on IRC](#)

courage is contagious

Viewing cable 09QUITO1053, Ecuador Gradually Solidifies Relationship with Iran's Export

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09QUITO1053**.

Reference ID	Created	Released	Classification	Origin
09QUITO1053	2009-12-22 19:22	2011-08-30 01:44	CONFIDENTIAL//NOFORN	Embassy Quito

Appears in these articles:

<http://www.eluniverso.com/2011/04/12/1/1355/cable-241300.html>

VZCZCXYZ0003
OO RUEHWEB

DE RUEHQT #1053/01 3561922
ZNY CCCCC ZZH
O R 221922Z DEC 09
FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0583
INFO RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHBO/AMEMBASSY BOGOTA
RUEHBR/AMEMBASSY BRASILIA
RUEHCV/AMEMBASSY CARACAS
RUEHGL/AMCONSUL GUAYAQUIL
RUEHLP/AMEMBASSY LA PAZ
RUEHPE/AMEMBASSY LIMA
RUEHQT/AMEMBASSY QUITO

C O N F I D E N T I A L QUITO 001053

SENSITIVE
SIPDIS
NOFORN

E.O. 12958: DECL: 2034/12/22
TAGS: [ECON](#) [EFIN](#) [EC](#) [IR](#) [PREL](#) [MNUC](#) [PARM](#) [KNNP](#)

SUBJECT: Ecuador Gradually Solidifies Relationship with Iran's Export Development Bank

REF: STAT...

id: 241300
date: 12/22/2009 19:22
refid: 09QUITO1053
origin: Embassy Quito
classification: CONFIDENTIAL//NOFORN
destination: 09QUITO875|09QUITO943|09STATE120453
header:
VZCZCXYZ0003
OO RUEHWEB

DE RUEHQT #1053/01 3561922
ZNY CCCCC ZZH
O R 221922Z DEC 09
FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0583
INFO RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHBO/AMEMBASSY BOGOTA
RUEHBR/AMEMBASSY BRASILIA
RUEHCV/AMEMBASSY CARACAS
RUEHGL/AMCONSUL GUAYAQUIL
RUEHLP/AMEMBASSY LA PAZ
RUEHPE/AMEMBASSY LIMA
RUEHQT/AMEMBASSY QUITO

----- header ends -----

C O N F I D E N T I A L QUITO 001053

SENSITIVE
SIPDIS
NOFORN

E.O. 12958: DECL: 2034/12/22
TAGS: [ECON](#) [EFIN](#) [EC](#) [IR](#) [PREL](#) [MNUC](#) [PARM](#) [KNNP](#)
SUBJECT: Ecuador Gradually Solidifies Relationship with Iran's Export Development Bank

REF: STATE 120453; QUITO 943; QUITO 875

CLASSIFIED BY: Heather M. Hodges, Ambassador, U.S. Department of State, EXEC; REASON: 1.4(B), (D)

Summary

11. (C) The Export Development Bank of Iran (EDBI) continues to make inroads in Ecuador, according to press reports, although it appears to face resistance at mid-levels in the Ecuadoran government and Central Bank - and even more so in the private sector. In delivering Ref A demarche on EDBI, and following up on previous such efforts (Refs B & C), EconCouns spoke with Central Bank, Ministry of Finance, MFA, and private financial sector contacts. Many of these individuals have tried and mostly failed to raise awareness of the dangers of doing business with EDBI, and with Iran in general. They argue that the only person who can make the decision to walk back the EDBI arrangements is President Correa himself. The Secretary's recent warning to Latin American countries about Iran - and Venezuelan President Chavez's response -- received significant coverage in local press, but the reality is that there is general skepticism that Ecuador will actually face any negative repercussions if it moves forward with implementing its agreements with EDBI. End Summary.

Press Reports on EDBI Developments

¶2. (C) Local press reported extensively over the last month on Ecuador's relationship with Iran, and particularly efforts to implement the 2008 MOU between EDBI and Ecuador's Central Bank (BCE). Much of this reporting was prompted by the November 18-20 visit of EDBI officials to Ecuador, during which they reportedly discussed providing trade financing, investment in hydro and thermal electricity projects, and other credits, as well as accelerating the establishment of an EDBI branch in Quito. (This visit was followed shortly by Iranian President Ahmadineyad's visit to Brazil, Bolivia, and Venezuela. Ahmadineyad was rumored to also visit Ecuador, but for unclear reasons this leg of the trip did not materialize.) Iran's Ambassador to Ecuador, Majid Salehi, and the BCE's ex-President, Carlos Vallejo, stoked the issue with separate interviews, in which both dismissed concerns about EDBI and highlighted the benefits of expanding commercial relationships between the two countries. Over the last year, Vallejo has consistently been the loudest public advocate for expanding relations with Iran and with EDBI in particular.

Turmoil at Central Bank Linked to Concerns about Iran

¶3. (C) To date, our main support on EDBI issues has come from a surprising source: the BCE's now ex-General Manager, Karina Saenz. Despite being personally recruited to the job by President Correa, Saenz has become increasingly concerned about the BCE's relationship with EDBI. During a meeting with EconCouns on December 8, Saenz said that no management-level BCE officials wanted anything to do with the EDBI MOU. She also said she had sent a memo to the President bluntly laying out her concerns and arguing that Ecuador, and specifically the BCE, should have no contact with EDBI. She acknowledged this was risky, but expressed frustration that increasingly in the GoE no high-level officials seem willing to give the President bad news or disagree with existing policy. She acknowledged that BCE President Vallejo was her main opponent on this and many other sensitive issues, but thought she retained continued support from Coordinating Minister for Economic Policy Diego Borja. (As reported Ref B, Saenz arranged a meeting for EconCouns with Borja, who agreed at the time that the GoE should find ways to develop a commercial relationship with Iran without resorting to EDBI.)

¶4. (C) Under pressure from President Correa on a separate issue related to the local investment of official BCE reserves (septel), Vallejo, Saenz, and the entire BCE management team resigned December 9 (septel). So, in a single stroke, the Embassy lost both its biggest supporter (Saenz) and one of its principal opponents (Vallejo) on EDBI/Iran issues. A widespread rumor was that Saenz and her management team resigned over concerns about Iran. This was unfounded, although Saenz is not the only BCE official worried about EDBI. Many of our BCE contacts erroneously believe they could eventually end up in jail if they signed anything related to EDBI. Emboffs have not corrected this misconception. Some BCE officials also wonder whether the U.S. Department of Treasury will try to go after BCE-owned Banco Pacifico, a U.S. bank based in Miami.

¶5. (C) In an unexpected move, the President appointed Minister Diego Borja as acting BCE President, and Borja's two top aides were appointed as the BCE General Manager (Christian Ruiz) and Deputy General Manager (Andres Arauz). Therefore, Borja, who rumor had it was in the doghouse with the President because of his rowdy behavior during Correa's October trip to Russia, has now basically taken over the BCE and greatly expanded his control over GoE economic policy.

¶16. (C) After five tries to obtain a meeting with Finance Ministry officials, EconCouns met December 10 with Undersecretary Carolina Portaluppi to discuss ongoing reform efforts within the Ministry and the status of the 2010 budget (septel). Ex-BCE GM Saenz informed EconCouns that Finance officials were ducking meetings with the Embassy in the past because of the Iran angle. When Portaluppi admitted that Ecuador was finding it more difficult than expected to obtain large-scale funding from its new "strategic friends" China, Russia, and Iran, EconCouns briefly summarized USG concerns with Iran and EDBI and left Ref A non-paper. Portaluppi agreed to review the non-paper and meet again to discuss the issue.

MFA's North America Director Advises, "Take it up with Correa"

¶17. (C) EconCouns delivered Ref A demarche and presented non-paper on December 16 to Ambassador Juan Salazar, Director General of the MFA's North America office. In strict confidence, Salazar (PROTECT) presented the two-inch thick binder that his office had put together on Iran, including press reports, readouts of USG demarches in Washington and Quito, and details about the USG's designation of EDBI and the UN and FATF's various warnings about Iran. Salazar said he had prepared the binder for Foreign Minister Falconi to review and send to the President, and he briefly showed the letter drafted to President Correa for Falconi's signature, summarizing the contents of the binder and explaining concerns. Salazar said that Falconi's office returned the entire package to the North America office unsigned and without comment, but with the clear message that this was not an issue Falconi wanted to hear about again from Salazar. When EconCouns described the often difficult discussions EmbOffs have had on Iran with our main MFA interlocutor on the issue, Multilateral Affairs Director General Lourdes Puma Puma, Salazar agreed that raising Iran issues with her was a completely useless exercise. He added that discussing it with anyone in the MFA was unlikely to achieve positive results. He concluded that if the U.S. really wanted Ecuador to reconsider its relationship with Iran it would need to talk directly to President Correa.

Private sector increasingly concerned, but confused about possible repercussions

¶18. (C) Citibank's local country manager Diana Torres (PROTECT) is extremely concerned about Ecuador building connections to Iran and EDBI. She told EconCouns December 17 that she also understood Wachovia/Wells Fargo, which is the dominant player in providing trade finance in Ecuador (through local banks), was worried about how this was playing out locally. Torres said local bankers were frightened by the possible implications of "U.S. Treasury sanctions," and the private bank association was looking for ways to support the USG position. If helpful, Torres said, the bank association was prepared to start raising the issue with GoE and BCE officials, but they were worried about undermining their credibility if there was really nothing backing the U.S. expressions of concern.

¶19. (C) Torres asked for details on what the possible consequences could be for Ecuador, and noted that other countries with deeper (Venezuela) or faster developing (Brazil) relations with Iran did not seem to be facing negative repercussions beyond USG political pressure. (Torres noted that Citi and most other major international banks still do business in Venezuela, despite the USG designation of EDBI-owned Banco Internacional de Desarrollo, a financial institution operating in Venezuela.) Other private sector contacts have reiterated this point, noting that Iran is a frequent topic of conversation in financial and political circles, but the general consensus is that the U.S. will not take any

serious action against Ecuador if it moves forward in its dealings with EDBI. Despite these doubts, some bankers are beginning to speak out publicly about their concerns over Ecuador's burgeoning relationship with Iran and EDBI in particular. For example, Abelardo Pachano, Executive President of ProduBanco, Ecuador's fourth largest bank, noted December 21 during a popular morning radio show the USG's recent, massive fine of CreditSuisse over its dealings with Iran and other sanctioned countries. Pachano highlighted this as evidence of the dangers of doing business with Iran, and also commented that the Secretary's recent warning to Latin American countries about doing business with Iran were further proof of how serious the USG was taking this issue.

Comment

¶10. (C) Secretary Clinton's recent words of caution to Latin America about dealing with Iran received significant local media coverage, as did President Chavez and Bolivian President Morales' critical responses. The Secretary's warning of potential consequences was a useful message, supporting mission expressions of concern. However, without more explicit details of consequences our warnings appear unlikely to be acted upon. Furthermore, despite the misgivings of many in the bureaucracy, President Correa is clearly behind Ecuador's Iran policy and GoE Ministers seem disinclined to try to dissuade him. Borja, especially with his new role as BCE President, seems the best bet to steer Ecuador away from EDBI. Considered by some a leftist hardliner, by others a political opportunist, and by most corrupt, Borja appeared approachable on this issue during our last meeting with him (Ref B). Therefore, the Embassy will reengage with him and the BCE's new General Manager - who reportedly studied in the U.S. - in early January.
HODGES

=====CABLE ENDS=====